

Message Text

SECRET

PAGE 01 STATE 248235 TOSEC 160009

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WH: WSEIDMAN

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WH: GEN. SCOWCROFT

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FM SECSTATE WASHDC

TO AMEMBASSY MOSCOW NIACT IMMEDIATE

INFO USDEL SECRETARY AIRCRAFT IMMEDIATE

USDEL SECRETARY PRIORITY

S E C R E T STATE 248235 TOSEC 160009

NODIS

E.O. 11652: GDS

TAGS: ETRD, EEW, US, UR

SUXJECT: GRAIN - OIL NEGOTIATIONS

REFS: (A) MOSCOW'S 14888 (B) STATE'S 244346

(C) STATE'S 245190 (D) STATE'S 247128

(E) MOSCOW'S 14954

FOR UNDER SECRETARY ROBINSON

1. WE THINK YOU MUST SLOW DOWN TIMETABLE AT LEAST AS FAR

AS ANNOUNCEMENT IS CONCERNED. THUS, FOR COMPLICATED

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PAGE 02 STATE 248235 TOSEC 160009

REASONS INVOLVING PUBLIC RELATIONS, CONSULTATION HERE

WITH CONGRESSMEN AND OTHERS, AND CONSIDERATIONS OF EFFECT ON MARKETS, WE PROPOSE PUBLIC ANNOUNCEMENT BE MADE FROM WHCTE HOSSE AT 4:00 P.M. MONDAY, OCTOBER 20 AND SOVIET AGREEMENT NOT TO MAKE ANNOUNCEMENT PRIOR TO 11:00 P.M. MOSCOW TIME OCTOBER 20. ON ASSUMPTION THIS AGREEABLE AND THAT REMAINING POINTS AT ISSUE ARE SATISFACTORILY RESOLVED YOU COULD SIGN WHENEVER MUTUALLY CONVENIENT. IN THIS CASE, IF YOU LEFT MOSCOW YOU WOULD MAKE STATEMENT AT AIRPORT THAT YOU HAVE COMPLETED YOUR TALKS AND THAT AN ANNOUNCEMENT WILL BE MADE IN WASHINGTON "SOON."

WE UNDERSTAND THIS MAY INCONVENIENCE YOU AND REGRET THAT FACT.

2. WE HAVE SERIOUS PROBLEM WITH YOUR FORMULATION IN PARAGRAPH THREE REFTEL (A). POINT OF PARAGRAPH STATE'S 245190 WAS TO AVOID PUTTING PRESIDENT IN POSITION WHERE HE HAD "ASKED" FOR LIMITATIONS. THIU COULD BE SIGNIFICANT IN TERMS FARMER REACTION HERE. SINCE YOU NOW HAVE AUTHORITY TO AGREE TO SEVEN MILLION TONS YOU HAVE NEGOTIATING CARD TO MOVE SOVIETS TO ACQUIESCE IN U.S. STATEMENT THAT SOVIET GOVERNMENT HAS INFORMED US THAT THEIR PURCHASING PLANS FROM THE 1975 CROP DO NOT ENVISAGE PURCHASING MORE THAN SEVEN MILLION ADDITIONAL TONS OF U.S. GRAIN WITHOUT CONSULTATION.

3. WITH RESPECT OIL LETTER OF INTENT WE COULD ACCEPT SOME OF YOUR PROPOSAL FOR NEW PARAGRAPH SIX IF, AS YOU ANTICIPATE, YOU ARE UNABLE TO DO MUCH BETTER. WE INSIST, HOWEVER, THAT THERE BE NO MENTION OF WORLD PRICES WHICH, IN FACT, DON'T EXIST.

4. THE PHRASE "PRICES ... WILL BE ESTABLISHED IN THE CONTRACTS" ALSO GIVES US PROBLEMS. CONCEPT IS DESIRABLE INSOFAR AS PRIVATE COMPANIES ARE CONCERNED, BUT MEANINGFUL OIL AGREEMENT BETWEEN GOVERNMENTS, INCLUDING OPTION FOR U.S. GOVERNMENT TO PURCHASE, SHOULD AT LEAST CONTAIN PRICE FORMULA FOR U.S. GOVERNMENT PURCHASES. AT MINIMUM WE DO NOT WISH TO PRECLUDE THAT POSSIBILITY FROM FUTURE NEGOTIATIONS.

5. THUS, PARAGRAPH SIX OF THE OIT LETTER OF INTENT
SECRET

SECRET

PAGE 03 STATE 248235 TOSEC 160009

COULD READ: "PRICES FOR CRUDE OIL AND PETROLEUM PRODUCTS WILL BE MUTUALLY AGREED AT A LEVEL WHICH WILL ASSURE THE INTERESTS OF THE GOVERNMENT OF THE UNITED STATES AND THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST REPUBLICS. SUCH PRICES WILL BE ESTABLISHED, TAKING INTO ACCOUNT THE QUALITY OF THE CRUDE OIL AND PETROLEUM PRODUCTS, SUPPLY AND TRANSPORTATION CONDITIONS, BY AGREEMENT BETWEEN THE PARTIES IN THE CASE OF PURCHASES FOR THE

U.S. GOVERNMENT AND IN COMMERCIAL CONTRACTS BETWEEN
PRIVATE U.S. FIRMS AND SOVIET FOREIGN TRADE ORGANIZATIONS
IN THE CASE OF PURCHASES NOT FOR THE U.S. GOVERNMENT.

6. TO COMMENCE NEGOTIATIONS
"PROMPTLY" IS ACCEPTABLE AS REPLACEMENT FOR "WITHIN
THIRTY DAYS" WITH ORAL AGREEMENT ON LOCUS AND THAT THIS
MEANS THIS MONTH, OCTOBER 1975. INGERSOLL

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